

Message Text

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ACTION NEA-10

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FM AMEMBASSY COLOMBO

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INFO AMEMBASSY NEW DELHI

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E.O. 11652: N/A

TAGS: ECON, PINT,CE

SUBJECT: NEW YEAR'S GOODIES HARD TO FIND IN CO-OPERATIVE STORES

REF: (A) COLOMBO 1221, (B) COLOMBO 1212, (C) COLOMBO 1036,

(D) COLOMBO 0905

1. BEGIN UNCLASSIFIED: FOR THE PAST MONTH THE GSL HAS BEEN PROMISING A PLENTIFUL SUPPLY OF CONSUMER GOODS WOULD BE AVAILABLE AT LOWER PRICES IN TIME FOR THE APRIL 12-13 SINHALA AND TAMIL NEW YEAR CELEBRATIONS (REFTELS A AND C). ON THE EVE OF THE NEW YEAR, HOWEVER, SRI LANKANS ARE FINDING THAT MANY ITEMS ARE IN SHORT SUPPLY OR NOT AVAILABLE AT THEIR LOCAL GOVERNMENT CO-OPERATIVE STORES. WHILE THE ESSENTIALS OF RICE, FLOUR, AND SUGAR ARE GENERALLY AVAILABLE, THE PROMISED IMPORTED TEXTILES, CANNED AND DRIED FISH, DATES, GARLIC, AND DHAL ARE HARD TO FIND AT THE CO-OPS. EVEN LOCALLY PRODUCED TEXTILES AND POWDERED MILK HAVE DISAPPEARED FROM CO-OP SHELVES. ALL OF THESE GOODS, HOWEVER, CAN BE FOUND IN ABUNDANCE IN THE BLACK MARKET WHERE, DESPITE THE 20 PERCENT REVALUATION OF THE RUPEE (REFTEL D) AND THE WELL PUBLICIZED PRICE REDUCTIONS (REFTEL A), PRICES ARE UP IN RESPONSE TO HOLIDAY DEMAND.

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2. CORRUPTION AND FAVORITISM ARE RAMPANT IN MOST CO-OPS, AND IT IS COMMON KNOWLEDGE THAT THEY ARE THE PRINCIPAL SOURCE OF SUPPLY FOR THE BLACK MARKET. A CERTAIN BRAND OF JAPANESE CANNED FISH, 7 MILLION CNAS OF WHICH WERE IMPORTED BY THE GSL FOR DISTRIBUTION ONLY THROUGH THE CO-OPS, WAS AVAILABLE IN THE BLACK MARKET BEFORE THE FIRST CAN APPEARED IN ANY CO-OP. CUSTOMER LINES ARE

LONGER THAN EVER AND SEVERAL SMALL RIOTS HAVE OCCURRED AS A RESULT OF SHORTAGES AND WHEN CO-OP EMPLOYEES AND FRIENDS RECEIVED OBVIOUS PREFERENTIAL TREATMENT. ONE STORY IN THE PRESS RECOUNTS AN INSTANCE OF PEOPLE WAITING FOR THEIR 4 OUNCE RATION OF DATES AND WATCHING CO-OP EMPLOYEES WALK OUT WITH THEIR ALLOWANCE OF 9 POUNDS EACH. THE SITUATION HAS DETERIORATED TO SUCH AN EXTENT THAT THE FOOD DEPARTMENT, WHICH NORMALLY DISTRIBUTES RICE, FLOUR AND SUGAR THROUGH THE CO-OPS, WILL REMAIN OPEN DURING THE HOLIDAY TO SELL DIRECTLY TO THE WHOLESALE TRADE.

3. THE ACTING MINISTER OF FOOD AND CO-OPERATIVES (THE MINISTER, FELIX BANDARANAIKE, IS PRESENTLY ATTENDING NON-ALIGNED COORDINATING COMMITTEE FOREIGN MINISTERS IN NEW DELHI) TOLD THE GSL CONTROLLED "DAILY NEWS" THAT ADEQUATE FOOD STOCKS ARE IN THE COUNTRY AND CRITICIZED

OTHER UNNAMED GSL AGENCIES FOR SHORTAGES OF FISH AND TEXTILES AT THE CO-OPS. THE SAME APRIL 12 EDITION OF THE "DAILY NEWS" QUOTED THE CHAIRMAN OF THE CO-OPERATIVE WHOLESALE ESTABLISHMENT (CWE), WHICH IS ONE OF THE AGENCIES REFERRED TO BY THE ACTING MINISTER, AS BLAMING THE SHORTAGE OF CANNED FISH ON A PLOT BY "POWERFUL BUSINESS CIRCLES." THIS EDITION OF THE NEWS ALSO CARRIED AN EDITORIAL ATTACKING THE FAILURES OF THE BUREAUCRACY WITH SPECIAL EMPHASIS ON THE CO-OPS' INABILITY TO DELIVER THE GOODS IN TIME FOR THE NEW YEAR. END UNCLASSIFIED.

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4. BEGIN LIMITED OFFICIAL USE. COMMENT: WHEN MINISTER BANDARANAIKE RETURNS FROM NEW DELHI, THERE WILL NO DOUBT BE A WELL PUBLICIZED INVESTIGATION INTO THE FAILURES OF THE CO-OP SYSTEM. THE WHOLE POINT OF THE REVALUATION AND THE FLOOD OF CONSUMER IMPORTS IS TO WIN VOTES IN THE FORTHCOMING ELECTION. AFTER ALL THE GOVERNMENT'S PROMISES, THE PARADOX OF CONTINUED SHORTAGES WHEN PEOPLE CAN SEE THE LARGE NUMBER OF SHIPS UNLOADING IN THE COLOMBO PORT (REFTEL C), THE BRAXEN FAVORITISM AND CORRUPTION IN THE CO-OPS, AND THE FLOURISHING BLACK MARKET ARE UNLIKELY TO WITH MANY VOTES. WHETHER SUCH AN INVESTIGATION WILL DISCOVER THE CULPRITS AND RIGHT THE WRONGS SEEM DOUBTFUL, HOWEVER. AS A RECENT ISSUE OF THE WEEKLY JOURNAL "TRIBUNE" POINTED OUT, CORRUPT PRACTICES IN CO-OPS AND ELSEWHERE ARE OFTEN PROTECTED BY MEMBERS OF PARLIAMENT OR POLITICAL AUTHORITIES AND MANY OFFICIALS ARE TRYING TO MAKE AS MUCH MONEY AS POSSIBLE WHILE THEY ARE STILL IN OFFICE.

REED

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